



REDACTED – FOR PUBLIC INSPECTION

**VIA ECFS**

June 30, 2017

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Room TW-A325  
Washington, DC 20554

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**RE: Cumby Telephone Cooperative, Inc., SAC 442065  
Submission of FCC Form 481 Annual Report  
WC Docket No. 14-58 – ETC Annual Reports and Certifications**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Cumby Telephone Cooperative, Inc. (“the Cooperative”), Study Area Code 442065, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Cooperative’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Cumby Telephone Cooperative, Inc., by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.<sup>1</sup> The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

Cumby Telephone Cooperative, Inc. is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

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T (972) 387-4300  
F (972) 960-2810

8750 N. Central Expressway  
Suite 300  
Dallas, TX 75231

Assurance, tax, and consulting offered through  
Moss Adams LLP. Wealth management offered through  
Moss Adams Wealth Advisors LLC. Investment banking  
offered through Moss Adams Capital LLC.

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<sup>1</sup> *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, 31 FCC Rcd 2089 (2016).



Each page of the Cooperative's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff  
Authorized Representative for  
Cumby Telephone Cooperative, Inc.

SP/ag

cc: Rocky Byrd, Cumby Telephone Cooperative, Inc.



**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	442065
<015>	Study Area Name	CUMBY TEL COOP INC
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Rocky Byrd
<035>	Contact Telephone Number: Number of the person identified in data line <030>	9039942211 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	rockyb@cumbytel.com
	Form Type	54.313 and 54.422



<010>	Study Area Code	442065
<015>	Study Area Name	CUMBY TEL COOP INC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Rocky Byrd
<035>	Contact Telephone Number - Number of person identified in data line <030>	90399442211 ext .
<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyby@cumbytel.com

No

Page 2



**(300) Unfulfilled Service Request  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com

&lt;300&gt; Unfulfilled service request (voice)

0

&lt;310&gt; Detail on attempts (voice)

Name of Attached Document

&lt;320&gt; Unfulfilled service request (broadband)

0

&lt;330&gt; Detail on attempts (broadband)

Name of Attached Document



<010>	Study Area Code	442065
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<035>	Contact Telephone Number - Number of person identified in data line <030>	9039942211 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<410>	Complaints per 1000 customers for fixed voice	Offered only fixed voice 0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<440>	Complaints per 1000 customers for fixed broadband	Offered only fixed broadband 0 . 0
<450>	Complaints per 1000 customers for mobile broadband	



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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
442065tx510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	



<b>(600) Functionality in Emergency Situations</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	442065tx610.pdf







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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyby@cumbytel.com

-- See attached worksheet --



**(800) Operating Companies  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyby@cumbytel.com
<810>	Reporting Carrier	Cumby Telephone Cooperative, Inc.
<811>	Holding Company	Cumby Telephone Cooperative, Inc.
<812>	Operating Company	Cumby Telephone Cooperative, Inc.

[illegible]



**(900) Tribal Lands Reporting  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com

&lt;900&gt; Does the filing entity offer tribal land services? (Y/N) No

&lt;910&gt; Tribal Land(s) on which ETC Serves

&lt;920&gt; Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable



**(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 442065tx1010.pdf

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Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 442065tx1030.pdf

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Name of Attached Document



**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com

&lt;1100&gt; Certify whether terrestrial backhaul options exist (Y/N)

Yes

&lt;1130&gt; Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).



**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com

442065tx1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- |        |   |                                     |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan,  | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan.  | <input checked="" type="checkbox"/> |



**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

<010>	Study Area Code	442065
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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

**Incremental Connect America Phase I reporting**

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing  
Required Information

Name of Attached Document Listing  
Required Information



**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

&lt;2016&gt; Certification support used to build broadband

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

&lt;2017A&gt; Connect America Fund Phase II recipient?

&lt;2017C&gt; Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

&lt;2018&gt; Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing  
Required Information

&lt;2019&gt; Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)



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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		
Yes - Attach Certification			
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	442065tx3010.pdf
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	442065tx3026.pdf

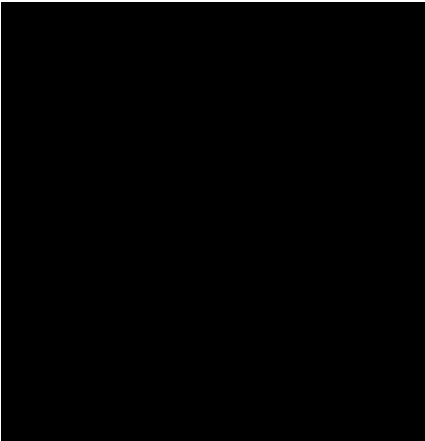


<b>(3005) Rate Of Return Carrier Additional Documentation (Continued)</b>	FCC Form 481
<b>Data Collection Form</b>	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

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Financial Data Summary

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends





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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

**4001.** Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

**4003a.** RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

**4004a.** Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

**4004b.** Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information



**Certification - Reporting Carrier  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	



<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	442065
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**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams, LLP.</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams, LLP.</u>
Name of Reporting Carrier:	<u>CUMBY TEL COOP INC</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/29/2017</u>
Printed name of Authorized Officer:	<u>Rocky Byrd</u>
Title or position of Authorized Officer:	<u>Accountant</u>
Telephone number of Authorized Officer:	<u>9039942211 ext.</u>
Study Area Code of Reporting Carrier:	<u>442065</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>CUMBY TEL COOP INC</u>
Name of Authorized Agent Firm:	<u>Moss Adams, LLP.</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/29/2017</u>
Name of Authorized Agent Employee:	<u>Anthony Givens</u>
Title or position of Authorized Agent or Employee of Agent	<u>Consulting Staff</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5097770231 ext.</u>
Study Area Code of Reporting Carrier:	<u>442065</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	



## Attachments



<b>(700) Price Offerings including Voice Rate Data</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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July 2013

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	15.0

[illegible]



<b>(710) Broadband Price Offerings</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442065
<015>	Study Area Name	CUMBY TEL COOP INC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Rocky Byrd
<035>	Contact Telephone Number - Number of person identified in data line <030>	9039942211 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyb@cumbytel.com

[illegible]



<b>(800) Operating Companies</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442065
<015>	Study Area Name	CUMBY TEL COOP INC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Rocky Byrd
<035>	Contact Telephone Number - Number of person identified in data line <030>	9039942211 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	rockyby@cumbytel.com
<810>	Reporting Carrier	Cumby Telephone Cooperative, Inc.
<811>	Holding Company	Cumby Telephone Cooperative, Inc.
<812>	Operating Company	Cumby Telephone Cooperative, Inc.

[illegible]



## **LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE**

Cumby Telephone Cooperative, Inc. (“the Cooperative”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Cooperative operates are outlined in its local exchange services tariff, which is approved by the Public Utility Commission of Texas (“Texas PUC”). The tariff contains provisions regarding the Cooperative’s customer service and protection practices.

Service quality standards for voice service are established by the Texas PUC. The Cooperative consistently meets or exceeds those standards and provides reports to the Texas PUC, in accordance with the Texas PUC’s rules.

With regard to broadband service, the Cooperative provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Cooperative. The Cooperative also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Cooperative to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Cooperative complies with any and all consumer protection obligations under state law.

The Cooperative also complies with the following consumer best practices: (1) the Cooperative discloses its rates and terms of service to customers; (2) the Cooperative provides specific disclosures in its advertising; (3) the Cooperative separately identifies carrier charges from taxes on its billing statements; (4) the Cooperative provides ready access to customer service; (5) the Cooperative promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Cooperative abides by policies for protection of consumer privacy.

In particular, the Cooperative has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Cooperative’s operating procedures that ensure compliance are filed annually with the FCC.



## **LINE 610 - FUNCTIONALITY IN EMERGENCY SITUATIONS**

Cumby Telephone Cooperative, Inc. ("the Cooperative") is able to remain functional in emergency situations for both voice and broadband service. The Cooperative has a reasonable amount of backup power to ensure functionality without an external power source. Standby power generators are supplied at a central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Cooperative is able to reroute traffic around damaged facilities. Although the Cooperative's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.



## **LINE 1010 – VOICE SERVICES RATE COMPARABILITY**

The Wireline Competition Bureau’s 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge (“SLC”).<sup>1</sup>

In the single exchange served by Cumby Telephone Cooperative (“the Cooperative”), the single line residential local rate, including any mandatory extended area service charge, in effect as of January 1, 2017 was \$15.00. When the federal SLC (\$5.00) is included, the rate was \$20.00. Therefore, the Cooperative’s pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

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<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).



## **LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY**

As of January 1, 2017, Cumby Telephone Cooperative, Inc. was charging a residential rate of \$49.95 for broadband providing 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance. This rate is lower than \$77.98, which is the 2017 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.<sup>1</sup>

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<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).



## **LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS**

Residential customers of Cumby Telephone Cooperative (“the Cooperative”) who qualify for the Lifeline Program receive a federal discount of \$13.75 on local voice telephony service (\$9.25 federal discount + \$3.50 state Lifeline discount + \$1.00 additional state reduction) on stand-alone residential local exchange service line.

In the single exchange served by the Cooperative, the Lifeline rate for single-line residential voice service, including the mandatory extended area service (“EAS”) charge and the federal subscriber line charge (“SLC”), is \$6.25 (\$20.00 standard rate – \$13.75 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

For calls outside of the local calling area, Lifeline customers may subscribe to long distance service offered by the Cooperative’s long distance affiliate, Personal Touch Long Distance, at the regular non-discounted rates. Personal Touch has three long distance calling plans: (1) a flat rate of \$.10/minute; (2) 60 minutes for \$2.95/month; and (3) 300 minutes for \$5.00/month. Lifeline customers may also choose another long distance carrier. Lifeline customers may also elect to subscribe to toll blocking at no charge.

The Cooperative does not disconnect the service of Lifeline subscribers for the non-payment of toll charges. However, the Cooperative reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Lifeline customers may subscribe to any residential voice telephony service package that is generally available to the public and will receive the applicable Lifeline discount off the regular price of the package.



**LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS**

Cumby Telephone Cooperative (“the Cooperative”) hereby certifies that the Cooperative has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service were met within a reasonable amount of time.





**CUMBY TELEPHONE COOPERATIVE, INC.  
CUMBY, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**As of December 31, 2016 and 2015  
With Independent Auditor's Report**



**CUMBY TELEPHONE COOPERATIVE, INC.  
CUMBY, TEXAS**

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## Independent Auditor's Report

The Board of Directors  
Cumby Telephone Cooperative, Inc.  
Cumby, Texas

We have audited the accompanying consolidated financial statements of Cumby Telephone Cooperative, Inc., which comprise the balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumby Telephone Cooperative, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The comparative balance sheets, statements of operations, and cash flows on pages 27 through 30, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Curtis Blakely & Co., P.C.*  
Longview, Texas

June 12, 2017



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31**

<b>Assets</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Current Assets:</b>		
Cash and cash equivalents		
Certificates of deposit		
Marketable securities		
Telecommunications accounts receivable		
Other receivables		
Materials and supplies		
Prepayments		
<b>Total Current Assets</b>		
<b>Property, Plant, and Equipment:</b>		
Plant in service		
Less: Accumulated depreciation		
<b>Net Property, Plant, and Equipment</b>		
<b>Investments and Other Assets:</b>		
Cellular investments		
Intangibles		
Prepaid postretirement benefits		
Other assets		
<b>Total Investments and Other Assets</b>		
<b>Total Assets</b>		

(The accompanying notes are an integral part of these consolidated financial statements.)



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31**

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**Liabilities and Equity**

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities:</b>		
Accounts payable		
Accrued income tax		
Other accrued liabilities		
Unearned revenue		
 <b>Total Current Liabilities</b>		
 <b>Other Liabilities:</b>		
Deferred income tax		
 <b>Equity:</b>		
Memberships		
Retained margin		
Patronage capital		
Accumulated other comprehensive income:		
Unrealized gain on marketable securities		
Unrecognized postretirement benefit costs		
 <b>Total Equity</b>		
 <b>Total Liabilities and Equity</b>		

(The accompanying notes are an integral part of these consolidated financial statements.)



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
For the Years Ended December 31

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Local network services		
Network access services		
Long distance network services		
Internet and video services		
Miscellaneous		
Uncollectibles		
Total Operating Revenues		
<b>Operating Expenses:</b>		
Plant specific operations		
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Total Operating Expenses		
<b>Operating Taxes:</b>		
Income tax expense		
Other operating taxes		
Total Operating Taxes		
<b>Operating Margin</b>		
<b>Nonoperating Margin:</b>		
Interest and dividend income		
Distributions from partnerships		
Other nonoperating expenses		
Income taxes		
Total Nonoperating Margin		
<b>Margin Before Interest Charges</b>		
<b>Interest Charges:</b>		
Interest expense		
<b>Net Margin</b>		

(The accompanying notes are an integral part of these consolidated financial statements.)



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31**

---

	<u>2016</u>	<u>2015</u>
<b>Net Margin</b>		
<b>Other Comprehensive Income:</b>		
Unrealized holding gain (loss) arising during period		
Income tax		
Less: Reclassificaton adjustment for prior year unrealized losses (gains)		
Income Tax		
Total unrealized holding gain (loss) adjustment		
Postretirement benefit gain (loss) emerging		
Amounts reclassified from accumulated other comprehensive income		
Income tax		
Total Pension and Post-Retirement Benefit Adjustment		
<b>Other Comprehensive Income (Loss)</b>		
<b>Comprehensive Income</b>		

(The accompanying notes are an integral part of these consolidated financial statements.)



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**For the Years Ended December 31**

	<u>Retained Margin</u>	<u>Patronage Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance, January 1, 2015				
Net margin				
Retirements and other changes				
Federal excise tax refund				
Other comprehensive income				
Balance, December 31, 2015				
Net margin				
Retirements and other changes				
Federal excise tax refund				
Other comprehensive income (loss)				
Balance, December 31, 2016				

(The accompanying notes are an integral part of these consolidated financial statements.)



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Net margin		
Adjustments to reconcile net margin to		
net cash provided by operating activities:		
Depreciation		
Gain on sale of securities		
Gain on sale of equipment		
Amortization of premium		
Change in assets and liabilities:		
Accounts receivable		
Inventory held for sale		
Prepays		
Accounts payable and accruals		
Deferred income tax		
Total Adjustments		
<b>Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of plant		
Capital expenditures		
Proceeds from (investment in) certificates of deposit		
Investment in marketable securities		
Proceeds from marketable securities		
<b>Net Cash Used in Investing Activities</b>		
<b>Cash Flows from Financing Activities:</b>		
Receipt of memberships		
Payment of capital credits		
<b>Net Cash Used in Financing Activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>		
<b>Cash and Cash Equivalents at Beginning of Year</b>		
<b>Cash and Cash Equivalents at End of Year</b>		

(The accompanying notes are an integral part of these consolidated financial statements.)



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

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**Note 1 – Description of Operations and Summary of Significant Accounting Policies:**

**Basis of Presentation**

In this report, Cumby Telephone Cooperative, Inc. (Cumby) and its subsidiaries, Personal Touch Communications, LP (PTC), and Cumby Operating, LLC (COLLC) are collectively referred to as the "Cooperative" or "we". Cumby is a local exchange carrier which provides landline telecommunications services to rural areas in North East Texas. Cumby distinguishes its local service customer base as 1) ILEC – regulated service provided to voting members in the city of Cumby; and 2) CLEC – nonregulated service provided to voting members in several exchanges near Cumby.

Our ILEC operation is regulated by the Public Utility Commission of Texas (PUC) and follows the uniform system of accounts prescribed by the Federal Communications Commission (FCC). For our regulated telephone operations we are required to recognize the economic effects of rate regulation. Accordingly, we depreciate telephone plant and equipment over useful lives as approved by regulators, which could be longer than the useful lives that would otherwise be determined by management. When applicable, we defer certain costs and obligations based upon approvals received from regulators to permit recovery of such amounts in the future. We continually review the applicability of regulatory accounting requirements based upon the developments in the current regulatory and competitive environment. If we were to discontinue the application of regulatory accounting requirements, we would be required to write-off our regulatory assets and liabilities and would be required to adjust the carrying value of any property, plant, and equipment that would be deemed unrecoverable. We believe we continue to meet the criteria for accounting under regulatory accounting requirements and that the carrying value of our regulated property, plant, and equipment is recoverable.

The consolidated financial statements include the accounts of Cumby and its subsidiaries. PTC's principal activity is an investment in a limited partnership and a limited liability company that own and operate a cellular mobile telephone system in North East Texas. PTC also provides local, long distance telephone, and Internet and video service. COLLC does not have significant activity. All significant intra-entity transactions are eliminated in the consolidation process.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Significant estimates that are reasonably possible to change in the near term include the postretirement benefit accrual and interstate revenue from settlements.

Certain reclassifications of the prior year's data have been made to conform to the current year's classification.

**Investments**

We have investments in marketable debt and equity securities which are accounted for under the cost method and considered available-for-sale. Securities classified as available-for-sale are carried at fair value, with unrealized gains and losses, net of income taxes, recorded in accumulated other comprehensive income (loss). The fair values of individual investments in marketable securities are determined based on market quotations. Gains or losses are calculated based on the original cost of the specific investment. We periodically review investments for impairment. These reviews are performed to determine whether a decline in the fair value of an investment below its carrying value is deemed to be other than temporary. In the event of a determination that a decline in market value is other than temporary, a loss is recognized in the Statement of Operations and a new cost basis in the investment is established. Equity securities that are not publicly traded are recorded at cost.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

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**Note 1 – Description of Operations and Summary of Significant Accounting Policies: (continued)**

We also have investments in Texas RSA 7B1 Limited Partnership and Texas RSA 7B1 Tower Holdings, LP, which operate a mobile cellular network. Although we own 25 percent of these entities, we do not exercise significant influence, therefore, they are accounted for using the cost method.

Texas RSA #7B1 Tower Holdings, LP (Tower Holdings), leases cellular tower sites. These lease agreements are for terms ranging from [REDACTED] years and call for prepayment of the entire contract amount. Tower Holdings records revenue related to these prepayments on a straight-line basis over the term of the contract. Tower Holdings distributes the cash received from these lease contracts to its partners. Under the partnership agreement, members are liable for the deficit capital balances. PTC's deficit capital balances were [REDACTED] and [REDACTED] at December 31, 2016 and 2015, respectively.

**Property, Plant, and Equipment**

Telephone plant is stated substantially at original cost. Additions, replacements, and renewals of property determined to be units of property are charged to telephone plant accounts. The replacement of plant determined not to be a unit of property and the cost of maintenance and repairs are charged to operating expense. Normal retirements are charged in total to the accumulated depreciation accounts along with the cost of removal, less salvage, with no gain or loss recognized. Non-telephone property is stated at cost and, when sold or retired, a gain or loss is recognized. Depreciation expense is computed using the straight-line composite method based on estimated service lives of the various classes of depreciable property. The service lives of regulated property are approved by the PUC.

Property, plant, and equipment are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if any impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value.

**Intangible Assets**

Our only intangible asset is a franchise agreement for our video service. The franchise fee is being amortized over its [REDACTED]. It is reviewed for impairment on an ongoing basis.

**Internal Use Software**

We capitalize software developed or obtained for internal use. These capitalized costs are included in property, plant, and equipment. Initial operating system software is amortized over the life of the associated hardware. Application software is amortized over a useful life of three years.

**Income Taxes**

As an organization formed under IRC Section 501(c)(12), we must receive [REDACTED] percent of our gross income from members to be tax exempt. In 2016 and 2015, we did not receive [REDACTED] percent of our gross income from members. Investment and miscellaneous income of Cumby and income of PTC are the only amounts subject to tax. Cumby is allowed a patronage exclusion, whereby, its patronage sourced income is excluded from taxation. PTC elects taxation as a C Corporation and is included in the consolidated federal income tax return of Cumby. COLLIC is a disregarded entity and is included as a segment of Cumby for federal tax purposes.

The State of Texas franchise tax is an income tax based on modified gross revenue. All of the entities in the consolidated group are subject to the Texas franchise tax except for Cumby.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

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**Note 1 – Description of Operations and Summary of Significant Accounting Policies: (continued)**

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

We are required to use a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability. We have not identified any uncertain tax positions requiring adjustment or disclosure.

**Revenue Recognition**

Revenues are recognized when earned. Cumby participates in a revenue sharing arrangement with other telephone companies for interstate revenue. This arrangement includes cost based settlements and a federal universal service fund. Revenues earned through the sharing arrangement are initially recorded based on Cumby's estimates. Actual interstate revenues are not known until settlement studies are conducted. We bill and keep intrastate access and long distance revenues. We also receive fixed monthly and per access line amounts from the Texas Universal Service Fund (TUSF).

Revenues derived from local telephone service, internet service, and special access (principally fixed fees) are billed monthly in advance and are recognized the following month when services are provided. Other revenues derived from telecommunications services, principally long-distance, and network access, are recognized monthly as services are provided. Other products and services revenue are recognized when products are delivered and accepted by customers and when services are provided.

We have separate prices for the services described above but we also bundle these services into various service packages. Our multiple-deliverable arrangements are provided at prices equal to the amount determined on a separate basis. All of the services in a package qualify as separate units of accounting. All services are provided and recognized monthly, therefore, the allocation to specific units does not have a material impact on the timing of revenue recognition.

Installation fees do not have value to the customer on a stand-alone basis and are therefore not units of accounting. We recognize revenue from installation fees in the period that the fees are billed rather than amortizing them over the average customer life. The fees are consistent in amount and accounted for consistently so the effect of recognizing revenue in the period billed rather than amortizing is immaterial. Also, costs associated with most installations are expensed when incurred which provides period matching with the revenue.

We collect taxes for various taxing authorities on certain types of revenue producing transactions. It is our position that we are acting strictly as an agent for the taxing authority, whereby, the tax is collected and remitted to the taxing entity. Using the net method to account for these taxes, we do not record the taxes as a revenue or expense.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

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**Note 1 – Description of Operations and Summary of Significant Accounting Policies: (continued)**

**Postretirement Benefits Other Than Pension**

Postretirement health care benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Actuarial gains and losses and prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits. We report the current economic status (the overfunded or underfunded status) of the plan in our balance sheet, using plan assets and plan obligations measured as of the balance sheet date. We recognize, through comprehensive income, changes in the funded status in the year that the changes occur.

**Comprehensive Income**

Other comprehensive income items are items that are recorded directly to equity and are not included in net income. Our other comprehensive income items are the adjustment for unrecognized pension and other postretirement benefit plan costs and unrealized holding gains and losses on marketable securities considered available for sale. Reclassification adjustments are necessary to avoid double counting items included in current period's net income that previously were reported as other comprehensive income, such as realized gains and losses reported previously in other comprehensive income as unrealized holding gains and losses. These reclassification adjustments are reported separately in the Statements of Comprehensive Income.

**Advertising**

We expense advertising costs as they are incurred. These expenses, which are insignificant, include media and other promotional and sponsorship costs.

**Accounts Receivable**

Telecommunications and other trade receivables are reported in the balance sheet at outstanding principal less any allowances for doubtful accounts. Trade receivables are short-term and interest is not accrued. Telecommunications receivables are written-off after the customer has been disconnected for at least ninety days. An allowance is not recognized for these receivables because it would not be material. Other trade receivables are written-off at the time they are deemed uncollectible. An allowance for other trade receivables is recorded when deemed appropriate based on a review of aged receivables.

**Materials and Supplies**

Materials and supplies are carried principally at the lower of average original cost or net realizable value. Most inventory is used in the construction of our fixed assets and, generally, no gain or loss is recognized upon issuance or write-off.

**Patronage Capital**

We operate on a nonprofit basis. Amounts received from the furnishing of telephone service in excess of operating costs and expenses are allocated to telephone patrons on a patronage basis. Amounts received from interest income and some other miscellaneous nonoperating income are also allocated to patrons on a patronage basis. Profits of PTC may be retained or allocated depending upon the Board of Directors determination of PTC's capital requirements.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, we consider all demand deposits, money market funds, and certificates of deposit with original maturities of three months or less to be cash equivalents.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 1 – Description of Operations and Summary of Significant Accounting Policies: (continued)**

**Asset Retirement Obligations**

We are required to recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset if we have a legal obligation to remove those assets. Although we have had no legal obligation to remove assets, depreciation rates of certain assets established by regulatory authorities have historically included a component for removal costs in excess of the related estimated salvage value. Regulatory accounting precludes us from eliminating this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets.

**Fair Value Measurements**

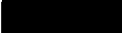

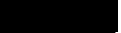
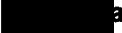
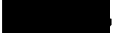
We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. We apply a hierarchy that prioritizes the information used to develop assumptions used in determining fair value. The hierarchy contains three levels of inputs: Level 1 – quoted prices in active markets for identical assets or liabilities; Level 2 – observable inputs, such as, quoted market prices of similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active; and Level 3 – unobservable inputs obtained from our own data. Fair value measurement does not apply to lower of cost or market determinations for inventory and does not eliminate the practicability exceptions to fair value measurements. Our significant fair value measurements are those required for investments in debt and equity securities. We have not chosen to use fair value measurements unless required to do so by applicable accounting standards.

**Note 2 – Marketable Securities and Other Cost Method Investments:**

Marketable securities classified as current assets at December 31, 2016, include the following:

	<u>Cost</u>	<u>Fair Value</u>
Corporate Bonds		
Government Bonds		
U.S. Government Asset Backed Securities		
Corporate Mortgage and Asset Backed Securities		
Common Stocks		
Total Current		

The contractual maturities of marketable securities available for sale at December 31, 2016 range from January, 2017 to August, 2031.

Gross unrealized holding gains and losses at December 31, 2016, are  and  respectively. For the purpose of determining realized gains and losses, the cost of securities sold is based upon first-in, first-out. Proceeds from sales of securities in 2016 totaled  and resulted in gross realized gains and losses of  and  respectively.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 2 – Marketable Securities and Other Cost Method Investments: (continued)**

Marketable securities classified as current assets at December 31, 2015, include the following:

	<u>Cost</u>	<u>Fair Value</u>
Corporate Bonds		
Government Bonds		
U.S. Government Asset Backed Securities		
Corporate Mortgage and Asset Backed Securities		
Common Stocks		
<b>Total Current</b>		

The contractual maturities of marketable securities available for sale at December 31, 2015 range from July, 2016 to September, 2030.

Gross unrealized holding gains and losses at December 31, 2015, are [REDACTED] and [REDACTED] respectively. For the purpose of determining realized gains and losses, the cost of securities sold is based upon first-in, first-out. Proceeds from sales of securities in 2015 totaled [REDACTED] and resulted in gross realized gains and losses of [REDACTED] and [REDACTED], respectively.

The following table provides information pertaining to securities with gross unrealized losses at December 31, 2016, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
<b>December 31, 2016</b>						
Corporate Bonds						
Government Bonds						
U.S. Government Asset Backed Securities						
Corporate Mortgage and Asset Backed Securities						
Common Stocks						

At any point in time, our investment portfolio may contain securities for which the cost of the security exceeds its fair market value. These impairments of our marketable securities are due to normal market and interest rate fluctuations and are not considered to be other-than-temporary. Although debt securities are available for sale, we have the ability to hold them to maturity and receive the entire carrying value. Our portfolio is diversified and includes investments in securities issued by differing entities. Our management monitors performance on a regular basis and consults with the investment advisors in assessing the impairment of securities in our portfolio. Due to the nature of our portfolio, the assessment of impairment is more dependent upon the expected long-term performance of the market rather than short-term assessment of individual holdings. While it is not practical for us to assess the financial condition of the issuer of each holding individually, the investment advisors continually monitor each security in the portfolio and the financial condition of the issuer. At December 31, 2016, we had [REDACTED] securities in an unrealized loss position of [REDACTED] total securities owned.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 2 – Marketable Securities and Other Cost Method Investments: (continued)**

Certain other investments in securities held are not adjusted to market values because those values are not readily determinable and/or the securities are not marketable. However, the carrying values of these cost method securities will be adjusted if we believe that the decline in value below cost is other than temporary. We do not estimate fair value under FASC Topic 825 – Financial Instruments for these investments because it is not practicable. The aggregate carrying amount of these investments at December 31, 2016 and 2015 was [REDACTED] and is included in Other Assets.

**Note 3 – Property, Plant, and Equipment:**

Net property, plant, and equipment at December 31, 2016 and 2015 was composed of the following:

	<u>Depreciation Rate (%)</u>	<u>2016</u>	<u>2015</u>
<b>Telecommunications Plant in Service:</b>			
General support			
Central office			
Information origination/termination			
Cable and wire facilities			
Internet equipment and software			
<b>Total Telecommunications Plant in Service</b>			
Accumulated depreciation			
<b>Plant Under Construction</b>			
<b>Net Property, Plant, and Equipment</b>			

Depreciation and amortization of property, plant, and equipment was [REDACTED] and [REDACTED] for 2016 and 2015, respectively.

**Note 4 – Intangibles:**

	<u>2016</u>	<u>2015</u>
<b>Video franchise fee</b>		
<b>Accumulated amortization</b>		

Amortization expense was [REDACTED] for 2016 and 2015. Amortization expense for each of the next five years will be [REDACTED]



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 5 – Accumulated Other Comprehensive Income:**

**Changes by Component**

	<b><u>Gains and Losses on Securities</u></b>	<b><u>Pension and Postretirement Items</u></b>	<b><u>Total</u></b>
<b>Balance at January 1, 2015</b>			
<b>Other comprehensive income before classifications</b>			
<b>Amounts reclassified from accumulated other comprehensive income</b>			
<b>2015 net other comprehensive income</b>			
<b>Balance at December 31, 2015</b>			
<b>Other comprehensive income before classifications</b>			
<b>Amounts reclassified from accumulated other comprehensive income</b>			
<b>2016 net other comprehensive income</b>			
<b>Balance at December 31, 2016</b>			

Above amounts are net of tax. Amounts in parenthesis indicated debits.

**Reclassification Out of Accumulated Other Comprehensive Income**

<b>Details About Accumulated Other Comprehensive Income Components</b>	<b>Amount Reclassified from Accumulated Other Comprehensive Income</b>	<b>Affected Line Item in the Statement of Operations</b>
<b>For the Year Ended December 31, 2016</b>		
<b>Unrealized Gains and Losses on Available for Sale Securities</b>		<b>Gain (loss) on sale of securities</b>
<b>Income Tax</b>		<b>Nonoperating income tax</b>
<b>Net After Tax</b>		
<b>Amortization of Pension and Postretirement Benefits:</b>		
<b>Prior service cost</b>		
<b>Actuarial losses</b>		
<b>Total Before Tax</b>		
<b>Income tax</b>		<b>Operating income tax</b>
<b>Net after tax</b>		
<b>Total Reclassification for the Period</b>		



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 5 – Accumulated Other Comprehensive Income: (continued)**

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Operations
For the Year Ended December 31, 2015		
Unrealized Gains and Losses on Available for Sale Securities		Gain (loss) on sale of securities
Income Tax		Nonoperating income tax
Net After Tax		
Amortization of Pension and Postretirement Benefits:		
Prior service cost		
Actuarial losses		
Total Before Tax		
Income tax		Operating income tax
Net after tax		
Total Reclassification for the Period		
Above amounts are net of tax.		

a – These accumulated other comprehensive income components are included in the computation of net period pension cost (see Note 7 for additional details).

**Note 6 – Income Taxes:**

Deferred tax assets and liabilities result primarily from differences in the bases of partnership investments and depreciation methods and lives used for financial and income tax reporting. The net deferred tax liability includes the following components:

	<u>2016</u>	<u>2015</u>	
Deferred tax liabilities			
Deferred tax assets			
Net Deferred Tax Liabilities			
Components of federal income tax expense:			
Operating current			
Operating deferred			
Nonoperating current			
Nonoperating deferred			
Total			



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

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**Note 6 – Income Taxes:**

The provision for income tax differs from the amount calculated using income before taxes at the statutory rate because of permanent differences, changes in prior year tax estimates and Cumby's patronage exclusion.

We have not identified any uncertain tax positions requiring recognition in our financial statements and we believe that the positions taken would not require settlement at an amount less than full recognition. Cumby or one of our subsidiaries files income tax returns in the U.S. federal jurisdiction and the State of Texas. We are generally no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013 and we are no longer subject to examination by the State of Texas for years before 2012.

**Note 7 – Employee Benefits:**

**Savings Plan**

We have a savings plan in effect for all eligible employees, administered by the National Telephone Cooperative Association (NTCA). We contribute █ percent of employee's annual salary to the plan and the employee can contribute up to █ percent of annual salary to the plan. Our cost for the plan was █ and █ for 2016 and 2015, respectively.

**Multiemployer Pension Plan**

We participate in a multiemployer defined benefit pension plan. It covers many full-time employees of NTCA, its affiliates, and its member organizations who have adopted the plan. This plan is funded through employer contributions of █ percent of salary plus rule of █ charges. These contributions, plus earnings, accumulate tax-free in the program's unallocated trust fund. This multiemployer plan differs from single-employer plans in that all pension fund assets and vested benefits are pooled for investment and reporting purposes. Assets contributed by one employer can be used to pay benefits to employees of another participating employer. Conversely, if a participating employer fails to contribute its required amounts, the unfunded obligation may be passed on to remaining participants.

The program actuary has reviewed the program's contribution rates for basic benefits and recommended increases to improve the overall financial strength of the program. The increases are required to address improvements in longevity and changes in the economic environment that have negatively impacted the value of contributions relative to program benefits. As a result, basic contribution rates will increase by █ percent starting January 1, 2017. The current surcharge will expire at the end of 2017 and a new surcharge of █ percent of the member's elected contribution rate will start in 2018. This surcharge is expected to last 12 years. Members have the option to prefund the surcharge. Members that choose to prefund will also have the Pension Benefit Guaranty Corporation (PBGC) premiums waived during the surcharge period. We paid █ in 2016 to prefund the surcharge. This prepayment will be amortized over 12 years beginning in 2017 and will be included in the employer's contribution amount.

<b>Legal Name of Plan</b>	<b>Retirement &amp; Security Program for Employees of the National Telecommunications Cooperative Association and Its Member Systems</b>
---------------------------	--

**Employer ID Number**

█

**Plan Number**

█



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 7 – Employee Benefits: (continued)**

The following disclosures are derived from the December 31, 2015 and 2014 Forms 5500 filed by the Plan.

Dollars in Thousands:

Total Plan Assets

Accumulated Benefit Obligation

Funded Status

2015

2014

The following disclosures are our financial information for years ended December 31:

Employer Contributions

Are Employer Contributions > [REDACTED] of Total Plan Contributions?

Surcharge % of Salary Included in Contributions

2016

2015

**Postretirement Health Plan**

We have a defined benefit postretirement health plan that covers both salaried and hourly employees and retirees who retire pursuant to our eligibility requirements. These benefits are provided through the NTCA health insurance program. We record the obligation for future retirees' health care benefits in accordance with FASC Topic 715. We fund these postretirement benefits using NTCA trust accounts. The following sets forth information for the other postretirement benefits at and for the years ended December 31:

**Obligations and Funded Status**

Fair value of plan assets measured at December 31  
Benefit obligation measured at December 31

Funded status – noncurrent asset (liability) recognized  
on balance sheet

2016

2015

Net periodic benefit cost

Employer contributions

Participant contributions

Benefits paid

**Assumptions**

Weighted average assumptions used to determine  
the benefit obligation and net periodic benefit cost:

Discount rate

Expected return on plan assets

Rate of compensation increase

2016

2015



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 7 – Employee Benefits: (continued)**

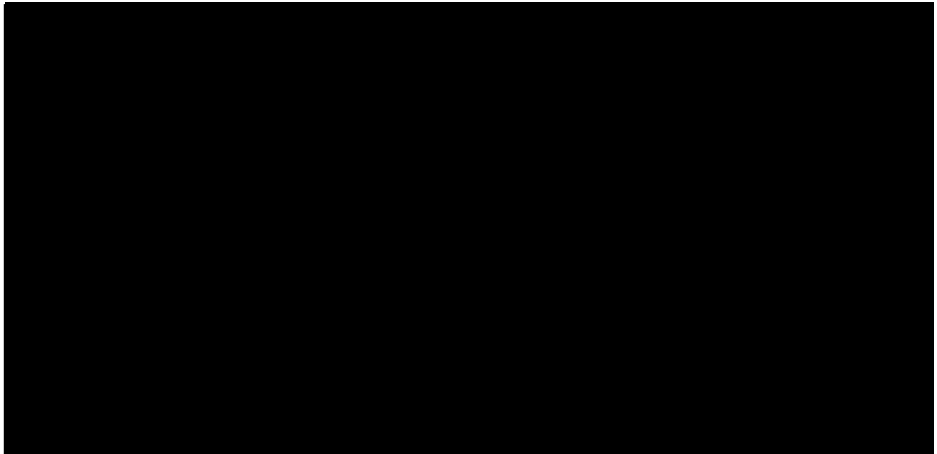
Our expected return on plan assets is determined by the plan assets' long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The health care cost trend rate used to measure the expected cost of benefits was a ■ percent annual rate of increase in 2016 declining to ■ percent in 2017 and continuing to decline to ■ percent by the year 2019.

**Plan Assets**

We contribute to the NTCA 401(h) trust account to fund our postretirement benefit liability. The trustees of this account work with an investment firm to set the investment policy. All of the trust account investments are in managed funds. The investment firm coordinates the multiple fund managers. The investment policy for plan assets is to manage the portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds. The portfolio is diversified by investing in multiple types of investment-grade securities. The target allocations for plan assets are ■ percent domestic equity securities, ■ percent international equities, ■ percent fixed income and ■ percent real estate.

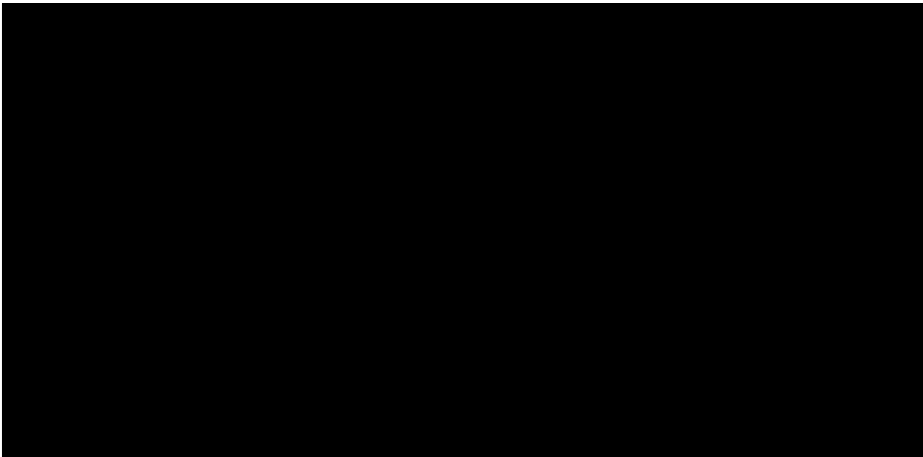
The fair value of our plan assets held in the NTCA trusts is allocated annually to each participating member. The assets are allocated in total and not by type of investment. The amounts below represent our pro-rata share of each type of investment based on our allocated trust value at December 31 as a percentage of the total trust value.

		Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs
<u>December 31, 2016</u>	<u>Total</u>			
Cash and interest bearing accounts				
Common stocks				
Mutual funds				
Corporate bonds				
Collective trust funds				
REITs				
Private equity				



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 7 – Employee Benefits: (continued)**

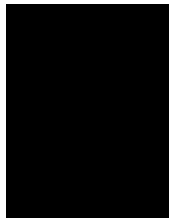
<u>December 31, 2015</u>	<u>Total</u>	<u>Level 1: Quoted Prices in Active Markets for Identical Assets</u>	<u>Level 2: Significant Other Observable Inputs</u>	<u>Level 3: Significant Unobservable Inputs</u>
Cash and interest bearing accounts				
Common stocks				
Mutual funds				
Corporate bonds				
Collective trust funds				
REITs				
Private equity				

**Cash Flows**

We expect to contribute  to our other postretirement benefit plan in 2017.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2017  
2018  
2019  
2020  
2021  
2022 – 2026



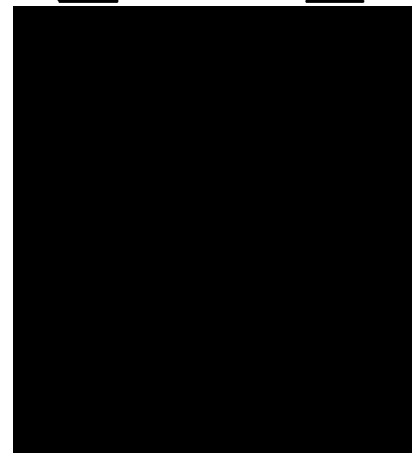
**Accumulated Other Comprehensive Income (AOCI):**

Amounts in AOCI that have not been recognized in net periodic cost:

Net gain (loss)  
Prior service cost

2016

2015



Amounts recognized in comprehensive income:

Net gain (loss) arising during the year  
Amortization of net gain  
Amortization of prior service cost



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 7 – Employee Benefits: (continued)**

**Amounts in AOCI expected to be recognized in net periodic cost in fiscal year 2017:**

Amortization of net gain  
Amortized of prior service cost



**Other Information**

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. We are impacted by the Act since we sponsor a postretirement health care plan that provides prescription drug benefits.

Our health benefits are provided through the NTCA Group Health Plan (GHP) and NTCA has determined that the drug benefit provided under this plan is at least actuarially equivalent to Medicare Part D. The Medicare Part D subsidy is currently reflected in the premiums for members participating in NTCA's GHP. The post 65 premiums are approximately \$100 less than they would be without the adjustment. We understand that the GHP will continue to apply for the subsidy in the near future and continue to net out the subsidy payments against premiums paid.

**Note 8 – Additional Cash Flow Information:**

**Cash paid during the year:**

**2016**

**2015**

Interest  
Income taxes



**Note 9 – Concentrations:**

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, marketable securities and trade receivables. Our policy is to place temporary cash investments with major federally insured financial institutions and to limit the amount of credit exposure to any one financial institution.

All of our cash and certificates of deposit are in banks that are FDIC insured or brokerage accounts covered by SIPC or private insurance. While all of our funds may not be completely covered by insurance, management believes the risk of material loss is unlikely. Our marketable securities are subject to market risk but debt securities are typically held until they mature. At December 31, 2016, we had deposits in checking accounts which exceeded federally insured limits by approximately \$6,000,000. In 2017, securities with a face amount of \$32,800,000 were released as collateral against our Alliance Bank deposits. Virtually all of our uninsured deposits are with Alliance Bank.

We received 32 percent and 34 percent of our 2016 and 2015, respectively, gross revenues from two sources.



**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 10 – Fair Value Measurements:**

The following are the major categories of assets and liabilities measured at fair value on a recurring basis for the year ended December 31:

<b>ASSETS</b>		<b>Level 1: Quoted Prices in Active Markets for Identical Assets</b>	<b>Level 2: Significant Other Observable Inputs</b>	<b>Level 3: Significant Unobservable Inputs</b>
<b><u>December 31, 2016</u></b>	<b><u>Total</u></b>			
Corporate bonds				
U.S. Government bonds				
U.S. Government asset backed securities				
Corporate mortgage and asset backed securities				
Common stocks				
<b>LIABILITIES</b>				
None				
<b>ASSETS</b>		<b>Level 1: Quoted Prices in Active Markets for Identical Assets</b>	<b>Level 2: Significant Other Observable Inputs</b>	<b>Level 3: Significant Unobservable Inputs</b>
<b><u>December 31, 2015</u></b>	<b><u>Total</u></b>			
Corporate bonds				
U.S. Government bonds				
U.S. Government asset backed securities				
Corporate mortgage and asset backed securities				
Common stocks				
<b>LIABILITIES</b>				

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**CUMBY TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

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**Note 10 – Fair Value Measurements: (continued)**

Except as described below, the estimated fair value of our financial instruments approximate their carrying value as reflected in the consolidated balance sheet. The fair value of our marketable securities is measured on a recurring basis and has been estimated based on year-end quoted market prices. The estimated fair value of marketable securities of [REDACTED] and [REDACTED] at December 31, 2016 and 2015, respectively, represents the carrying value. These amounts differ from the investments' amortized cost of [REDACTED] and [REDACTED] at December 31, 2016 and 2015, respectively.

**Note 11 – Subsequent Events:**

We have evaluated subsequent events through June 12, 2017, the date which the financial statements were available to be issued.



## **SUPPLEMENTARY INFORMATION**



**CUMBY TELEPHONE COOPERATIVE, INC.  
COMPARATIVE BALANCE SHEETS  
December 31**

	<b>Assets</b>			
	<b>Cumby</b>		<b>PTC</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>				
Cash and cash equivalents				
Certificates of deposit				
Marketable securities				
Telecommunications accounts receivable				
Other receivables				
Materials and supplies				
Prepayments				
Accounts receivable - affiliates				
<b>Total Current Assets</b>				
<b>Property, Plant, and Equipment:</b>				
Plant in service				
Less: Accumulated depreciation				
<b>Net Property, Plant, and Equipment</b>				
<b>Investments and Other Assets:</b>				
Cellular investments				
Intangibles				
Investment in subsidiary				
Prepaid postretirement benefits				
Other assets				
<b>Total Investments and Other Assets</b>				
<b>Total Assets</b>				



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**COMPARATIVE BALANCE SHEETS**  
**December 31**

<b>Liabilities and Equity</b>				
	<b>Cumby</b>		<b>PTC</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Current Liabilities:</b>				
Accounts payable				
Accounts payable - affiliates				
Accrued income tax				
Other accrued liabilities				
Unearned revenue				
<b>Total Current Liabilities</b>				
<b>Other Liabilities:</b>				
Deferred income tax				
<b>Equity:</b>				
Memberships				
Retained margin				
Patronage capital assignable				
Accumulated other comprehensive income:				
Unrealized gain on marketable securities				
Unrecognized postretirement benefit cost				
Partners' Capital				
<b>Total Equity</b>				
<b>Total Liabilities and Equity</b>				



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**COMPARATIVE STATEMENTS OF OPERATIONS**  
For the Years Ended December 31

	<u>Cumby ILEC</u>		<u>Cumby CLEC</u>		<u>Cumby Total</u>		<u>PTC</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>								
Local network services								
Network access services								
Long distance network services								
Internet and video services								
Miscellaneous								
Uncollectible expense								
<b>Total Operating Revenues</b>								
<b>Operating Expenses:</b>								
Plant specific operations								
Plant nonspecific operations								
Depreciation								
Customer operations								
Corporate operations								
<b>Total Operating Expenses</b>								
<b>Operating Taxes:</b>								
Income tax expense (benefit)								
Operating taxes								
<b>Total Operating Taxes</b>								
<b>Operating (Loss) Margin</b>								
<b>Nonoperating Margin:</b>								
Interest and dividend income								
Equity in net income of subsidiaries								
Distributions from partnerships								
Other nonoperating income (expense)								
Income tax expense								
<b>Total Nonoperating Margin</b>								
<b>Margin Before Interest Charges</b>								
<b>Interest Expense</b>								
<b>Net Margin</b>								

SUPPLEMENTARY INFORMATION - See Independent Auditor's Report.



**CUMBY TELEPHONE COOPERATIVE, INC.**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31**

	<b>Cumby</b>		<b>PTC</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Cash Flows from Operating Activities:</b>				
Net margin				
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization				
Equity in net income of subsidiaries				
Distributions from subsidiaries				
Gain on sale of securities				
Gain on sale of equipment				
Amortization of premium				
Change in assets and liabilities:				
Accounts receivable				
Inventory held for sale				
Prepays				
Accounts payable and accruals				
Deferred income tax				
Total Adjustments				
<b>Net Cash Provided by Operating Activities</b>				
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sales of plant				
Capital expenditures				
Investment in marketable securities				
Proceeds from marketable securities				
Proceeds from (investments in) certificates of deposit				
<b>Net Cash Used in Investing Activities</b>				
<b>Cash Flows from Financing Activities:</b>				
Advances from (to) affiliate				
Receipt of memberships				
Payment of capital credits				
Dividends received (paid)				
<b>Net Cash Used in Financing Activities</b>				
<b>Net Increase in Cash and Cash Equivalents</b>				
<b>Cash and Cash Equivalents at Beginning of Year</b>				
<b>Cash and Cash Equivalents at End of Year</b>				